END TERM EXAMINATION

FIRST SEMESTER [BBA] DECEMBER-2012

Paper Code: BBA/BBA(B&I/TTM/CAM/MOM)103　　　Subject: *Business Economics-I*

Time : 3 Hours　　　　　　　　　　　　　　　　*Maximum Marks :75*

Note: Attempt any five questions.

Q1　Distinguish between **any five** of the following:-　　　　　　　　(3x5=15)
   (a)　Normal profit and abnormal profit
   (b)　Marginal Revenue and Incremental Revenue
   (c)　Discounting and Compounding
   (d)　Risk and Uncertainty
   (e)　Positive Economics and Normative Economics
   (f)　Stable Equilibrium and Undiable Equilibrium

Q2　(a)　What is Business Economics? How is Business Economics related to other management sciences? **(6)**
   (b)　Why do profits arise? Which of the explanation do you find more relevant and why? **(9)**

Q3　(a)　Using cardinal utility analysis, explain the conditions for consumer's equilibrium. **(7)**
   (b)　Using ordinal utility analysis decompose price effect into income effect and substitution effect. **(8)**

Q4　(a)　Interpret the following values and also explain their usefulness for business decisions:-
   (iv) E_P=-0.1　(ii) E_Y=-0.5　(iii) E_Y=+0.5　(iv) E_C=-0.9　(v) E_C=+1.1　(iv) E_Y=0
   Where, E_P=price elasticity coefficient, E_Y=Income elasticity coefficient and E_C=Cross elasticity coefficient. **(3+3)**
   (b)　Maruti Udyog Limited has reported following data relating to their sales during the last six years:-

Year	2006	2007	2008	2009	2010	2011
Sales(in thousand units)	80	75	84	74	75	75

   Predict the sales for the year 2014 using straight line trend method. **(6)**
   (c)　Look at the given fig.1. Two demand curves are given. What name you give to following changes:-
   (i)　From K to R
   (ii)　From T to H
   (iii)　From Z to K
   (iv)　From N to R
   (v)　From L to K
   (vi)　From N to Z
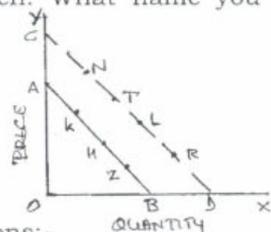
   You have to choose between the following four expressions:-　　　　**(3)**
   (i)　Expansion in demand　　(ii) Contraction in demand
   (iii)　Increase in demand　　(iv) Decrease in demand

Q5　(a)　Differentiate between fixed factor proportions and variable factor proportions. Using the following table, explain the concept of returns in scale:-　　**(3+5)**

Units of X-input	Units of Y-input	Total output
1	2	100
2	4	300
4	8	700
8	16	1300
16	32	2500

   (b)　Using the iso-quant analysis, explain the conditions for producer's equilibrium. **(7)**

Q6　(a)　Explain the concept of Ridge Lines. **(7)**
   (b)　Prove that the second stage of production, according to the Law of Variable Proportions, ie the actual stage of operation in a business. **(8)**

Q7　(a)　Is there any short-run cost curve that always falls with an increase in the level of output? Will it always be so both in the short-run and long-run? **(6)**
   (b)　Why is the average revenue curve of a firm also the demand curve facing the firm? Also, with the help of diagrams differentiate the AR and MR curves of a firm in- **(3+6)**
   (i)Perfect competition　(ii) Monopoly　(iii) Monopolistic competition　(iv)Oligopoly

Q8　(a)　Distinguish between long-run equilibrium condition of a firm under perfect competition and monopolistic competition. **(6)**
   (b)　What is a Kinked Demand Curve? How is it used to explain price rigidity in an oligopoly? **(9)**